

**Race to the Top Program
Grantee Frequently Asked Questions
No-Cost Extension Addendum
Phase 3**



**U.S. Department of Education
Washington, D.C. 20202**

Revised June 25, 2014

Note: The FAQs listed below are an addendum to the existing previously cleared Race to the Top Grantee FAQs available at <http://www2.ed.gov/programs/racetothetop/faq-grantee.pdf>.

Much of the text included in the FAQs below appears in previously cleared FAQs (either the 2/8/11 version linked above, or the 5/27/10 version, available at <http://www2.ed.gov/programs/racetothetop/faq.pdf>). The “Amendment Requests with No-Cost Extension Guidance and Principles” originally issued 3/13 (available at <http://www2.ed.gov/programs/racetothetop/no-cost-extension-submission-process.pdf>) and the “Grant Amendment Submission Process” issued to governors of grantee States in 10/1 (available at: <http://www2.ed.gov/programs/racetothetop/grant-amendment-submission-process-oct-4-2011.pdf>) also informed the FAQs below.

No-Cost Extension Addendum to Grantee Frequently Asked Questions

H-1. How will the Department decide whether to approve a grantee’s request for a no-cost extension?

As a condition of receiving a Race to the Top grant, each Race to the Top State agreed to implement all of the activities and meet the timelines in its application, Scope of Work, and budget. As such, each Race to the Top State will be held accountable for implementing its plan.

The Department may approve amendments to a State’s Race to the Top application, budget, and State Scope of Work, provided the revisions do not change the overall scope and objectives of the approved proposal. As Race to the Top grantees plan for the final grant year (e.g., Phase 3 grantees with grant periods ending in 2015) and foresee that they will need additional time to complete certain projects, grantees may request to extend work in their grants beyond the final project year for Department review on a case-by-case basis.

The Department issued “Amendment Requests with No-Cost Extension Guidance and Principles” for Phase 1 and Phase 2 grantees in March 2013 and for Phase 3 grantees in June 2014 indicating the process the Department would use to review amendments containing requests for additional time to accomplish the reform goals and deliverables the grantee committed to in its Race to the Top application and approved Scope of Work. To determine whether approval may be granted, the Department will apply the conditions and elements specific to no-cost extensions noted in that document, as well as the Race to the Top program *Principles* included in the “Grant Amendment Submission Process” document published in October 2011. Specifically, grantees may propose revisions, provided that the following conditions are met:

- The revisions do not result in the grantee’s failure to comply with the terms and conditions of the award and the program’s statutory and regulatory provisions;
- The revisions do not change the overall scope and objectives of the approved proposal; and
- The Department and the grantee mutually agree in writing to such revisions. The Department has sole discretion to determine whether to agree to such revisions or modifications.

Please note that the purpose of a no-cost extension is to provide, as necessary, additional time for a grantee to accomplish the reform goals and deliverables it committed to in its Race to the Top application and approved Scope of Work. No additional funds are available for award in a Year 5.

The Department does not intend to approve any State requests that propose work in a Year 5 that is not closely aligned with implementation of the State’s plan in Years 1 through 4. The State must request and receive approval to move forward with no-cost extensions for any projects or activities it seeks to continue beyond the four-year grant period. The Department will not grant a single approval for the entirety of a State’s plan.

H-2. What is the timeline for completing Race to the Top activities and obligating and spending Race to the Top funds?

Grantees must plan to meet all commitments and complete all activities outlined in their approved applications and obligate all Race to the Top funds by the end of the four-year grant period, which began on the date their funds were awarded. Grantees will have 90 days after the end of their project period to liquidate funds (see 34 CFR 80.23(b)) before all remaining funds will be returned to the U.S. Department of the Treasury. Grantees should refer to their Grant Award Notifications to determine their award date and corresponding final date for obligations.

It is important to note the distinctions between the points of obligation for various kinds of costs. The EDGAR outlines these distinctions as follows:

If the obligation is for--	The obligation is made--
(a) Acquisition of real or personal property	On the date the grantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the grantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the grantee	On the date on which the grantee makes a binding written agreement to obtain the services.
(d) Performance of work other than personal services	On the date on which the grantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the grantee receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the grantee uses the property.

See 34 CFR 75.707(a)-(g). The Department has authority to consider requests for extending States' project periods on a case-by-case basis (see succeeding questions for additional information). The Department does not intend to approve any no-cost extension request for a Phase 1 or Phase 2 grantee that would necessitate obligating funds beyond July 1, 2015. However, even in instances where the Department grants approval for no-cost extensions, all Race to the Top funds initially awarded in 2010 that are not obligated and liquidated by September 30, 2015 will revert to the U.S. Department of the Treasury.

The Department does not intend to approve any no-cost extension request for a Phase 3 grantee that would necessitate obligating funds beyond October 1, 2016. However, even in instances where the Department grants approval for no-cost extensions, all Race to the Top funds initially awarded in 2011 that are not obligated and liquidated by December 31, 2016 will revert to the U.S. Department of the Treasury.

H-3. What must be included in an amendment request that includes a request to change the timeline for obligating and spending Race to the Top funds?

Amendment requests with no-cost extensions must be submitted for each applicable activity or project the State seeks to extend beyond the current grant period and should be submitted to the State's program officer at the Department. The Department will not grant a single approval for the entirety of a State's plan.

When submitting a proposed amendment including a no-cost extension request, grantees must provide: (1) information regarding the grant activity or project(s) that would be affected by the extension, (2) a description of the currently approved section of the Race to the Top plan impacted by the no-cost extension request, (3) a description of the requested amendment and no-cost extension, (4) an explanation of the rationale for the proposed change and the expected impact of the proposed change on the grantee's commitments and goals for this project and other areas of the State's plan, as applicable, (5) an explanation for how the State is considering sustainability of the work included in the request, (6) consistent with Grant Condition N for Phase 1 and 2 grantees and Grant Condition M for Phase 3 grantees, a description of how investments add value to other States and/or the public domain, (7) a description of the State's process for no-cost extensions for the 50 percent local educational agency (LEA) subgrants (i.e., allocations to participating LEAs), (8) budget documentation, and (9) the signature of the payee (e.g., State education agency Chief or authorized representative).

Additional information on the amendment submission and no-cost extension request procedures, including an optional template, are available on the Department's website at <http://www2.ed.gov/programs/racetothetop/resources.html>.

Please note that all approved amendments, including those involving no-cost extensions, will be posted publicly on the Department's website, along with the State's rationale for the change.

H-4. What is the timeline for obligating and spending Race to the Top funds if a no-cost extension is granted?

Grantees must plan to complete all activities outlined in their approved applications and obligate all Race to the Top funds by the end of the four-year grant period (e.g., in 2014 for Phase 1 and 2 grantees and in 2015 for Phase 3 grantees) unless a no-cost extension is granted.

If a no-cost extension is requested and approved, a State may extend the period of obligation for funds associated with carrying out specified activity(ies) to the date reflected in a revised Grant Award Notification issued after the Department approves the extension(s). *The Department expects Phase 1 and Phase 2 grantees that receive an extension(s) to obligate all funds by July 1, 2015 and liquidate all funds by September 1, 2015, given that by law their Race to the Top funds revert to the U.S. Department of the Treasury as of October 1, 2015. The Department expects Phase 3 grantees that receive an extension(s) to obligate all funds by October 1, 2016 and liquidate all funds by December 1, 2016, given that by law their Race to the Top funds revert to the U.S. Department of the Treasury as of January 1, 2017.*

H-5. What is the process for no-cost extensions for the 50 percent LEA subgrants (i.e., allocations to participating LEAs)?

When proposing amendment requests that include no-cost extensions to grant projects funded by the State 50 percent of the grant, the Department expects grantees to explicitly address the timelines and implications of such a change on the 50 percent LEA subgrants (i.e., allocations to participating LEAs). For example, if the State requests a no-cost extension for a State-level project related to its instructional improvement system (IIS), the Department requires that the State address the impact on the 50 percent of the grant allocated to participating LEAs, including whether the State will consider requests from LEAs to extend activities in their local Scopes of Work related to the IIS or other grant project areas.

Grantees must propose to the Department the process they plan to use to consider and, if applicable, approve requests to obligate and liquidate LEA subgrant funds after the four-year grant period. Department approval must be obtained before the grantee implements such a process. A State's process should include the portion of LEA work eligible for extension and the criteria it will consider in reviewing and granting such requests (e.g., prior performance, size of allocation, quality of rationale provided by the LEA). When considering LEA requests for no-cost extensions, a State's process should take into account the extent to which the work proposed for an extended time period aligns to the work the LEA has done previously through its Scope of Work as well as the State's overall Race to the Top goals.

Note that a State may limit how LEAs use Race to the Top funds, consistent with the State's plan, the final LEA Scope of Work, and the MOU or other binding agreement between the LEA and the State (see E-1 to E-10 for more information of the Race to the Top Grantee FAQs).

For Phase 1 and 2 grantees, the Department does not intend to approve State implementation of any process that would necessitate obligating funds from the 50 percent of the grant allocated to participating LEAs after July 1, 2015 or liquidating funds after September 1, 2015. For Phase 3 grantees, the Department does not intend to approve State implementation of any process that would necessitate obligating funds from the 50 percent of the grant allocated to participating LEAs after October 1, 2016 or liquidating funds after December 1, 2016.

Please note that all State processes for LEA no-cost extensions generally approved by the Department will be posted publicly on the Department's website. Subsequently, the Department expects States to submit a record of each participating LEA project approved by the State for a no-cost extension and the total funding approved for the extended time period (i.e., Year 5) by June 30, 2014 for Phase 1 and 2 grantees and September 30, 2015 for Phase 3 grantees unless otherwise indicated.

H-6. May a State consider no-cost extensions for the 50 percent LEA subgrants if it does not request an extension for work in the State 50 percent of the grant?

Yes. However, as discussed in H-5, the State must propose and receive approval from the Department prior to implementing such a process as part of a no-cost extension amendment request. If the State proposes to only consider no-cost extensions to the 50 percent of the grant allocated to participating LEAs, as part of the rationale in its request, the State will need to demonstrate how it will oversee and provide support to any LEAs approved to continue implementation during an extended timeframe (e.g., through a proposed extension of the State staff supporting and overseeing participating LEAs' implementation or through other funds supporting necessary State-level staff).

H-7. Must a State provide no-cost extensions for all participating LEAs?

No. Participating LEAs are not entitled to extensions; such extensions may be granted at the discretion of the State, as long as the State establishes a process and criteria for considering LEA requests to extend local Scopes of Work beyond the four-year grant period and receives approval from the Department to implement such a process (see H-5).

A State may establish criteria that limit participating LEAs' access to an extension for appropriate reasons, such as non-compliance with cash management policies. For more information on establishing criteria for participation, please see FAQ K-2 from the May 2010 Race to the Top Guidance, available <http://www2.ed.gov/programs/racetothetop/faq.pdf>. The Department encourages States to clearly communicate the criteria LEAs must meet in order to obtain an

extension and the measures the State will use to make determinations as part of the LEA no-cost extension process it proposes to the Department for review and approval.

H-8. What are the implications for funds remaining in the 50 percent of the grant allocated to participating LEAs at the end of the four-year project period?

The ARRA requires that each State receiving a Race to the Top grant award 50 percent of the funds to LEAs based on their relative shares of funding under part A of Title I of the ESEA. In instances where the list of participating LEAs changed during the grant period, States are required to recalculate the section 14006(c) subgrant allocations to make the full 50 percent allocations available to all participating LEAs by the end of the four-year grant period (see <http://www2.ed.gov/programs/racetothetop/grant-amendment-submission-process.pdf> for more information).

If a State has unspent funds from the 50 percent of the grant allocated to participating LEAs at the end of the four-year grant period, it should consult with its program officer and may draft an amendment seeking a no-cost extension for approval by the Department for all or a portion of the unspent LEA funds. If the State chooses not to request a no-cost extension for these funds, the funds will revert to the U.S. Department of the Treasury. If a State has LEAs participating in Year 5, then it may request to redistribute any unspent funds from the 50 percent of the grant allocated to participating LEAs to the remaining participating LEAs according to the Title I formula for the most recent year, as described in D-3. A State may not shift unspent funds from the 50 percent of the grant allocated to participating LEAs to carry out projects in the State 50 percent of the grant during the grant period or during a no-cost extension period.

H-9. How must a State address its MOUs with LEAs as part of the no-cost extension process?

Each participating LEA in a State's Race to the Top plan is required to enter into a MOU or other binding agreement with the State that specifies the scope of the work being implemented by the participating LEA. The terms of each State's MOUs with its participating LEAs may vary. The Department encourages States to review the terms of its MOUs prior to approving LEA no-cost extensions to ensure that such extensions include the agreements codified in the MOU. For example, if the initial MOU specified an end date consistent with the initial grant period end date, the State would need to have each LEA approved for a no-cost extension sign a revised MOU with an extended date.

H-10. What is the timeline for requesting a change to a State's Race to the Top plan and/or budget that includes a no-cost extension?

The Department will accept amendment requests that include no-cost extensions on a rolling basis. Grantees may submit multiple requests at the same time or on multiple occasions. The Department will not grant a single approval for the entirety of a State's plan. An amendment request with a no-cost extension must be submitted and approved before the State may proceed with extended implementation for each activity or project the State seeks to extend.

The Department asks that Phase 1 and Phase 2 Race to the Top grantees make their no-cost extension amendment requests by January 2014 to ensure adequate time for Department review and follow-up discussions with the State. The Department asks that Phase 3 Race to the Top grantees make their no-cost extension amendment requests by April 2015 to ensure adequate time for Department review and follow-up discussions with the State.

H-11. May a State request a change to its Race to the Top plan and/or budget after an extension is granted?

Just as in other grant years, the Department recognizes that a grantee may need to revise its plan due to unforeseen or unanticipated circumstances in order to keep on its path of reform to improve student outcomes. The Department will review requests submitted after an extension is granted against the October 2011 amendment *Principles* and the *No-Cost Extension Guidance and Principles*.

Given that by law all Phase 1 and Phase 2 funds return to the U.S. Department of the Treasury as of October 1, 2015 (i.e., the Department does not have authority to provide grantees with an additional liquidation period after September 30, 2015), the Department does not intend to approve any request that would necessitate obligating funds after July 1, 2015. The Department asks that grantees submit amendment requests with sufficient time to ensure adequate time for review and meaningful implementation of the revised approach.

Given that by law all Phase 3 funds return to the U.S. Department of the Treasury as of January 1, 2017 (i.e., the Department does not have authority to provide grantees with an additional liquidation period after December 31, 2016), the Department does not intend to approve any request that would necessitate obligating funds after October 1, 2016. The Department asks that Phase 3 grantees submit amendment requests with sufficient time to ensure adequate time for review and meaningful implementation of the revised approach.

H-12. How are the grant conditions, including the program review process, of a State's Race to the Top plan affected by no-cost extensions?

If a State is granted approval to extend work on a portion of its grant project beyond the original four-year grant period, all Grant Conditions remain in effect during the extended period of availability. As a part of those conditions, the grantee agrees to cooperate with and assist the Department in performing any financial, performance or compliance reviews or audits conducted of the grant, and to comply with all program reporting requirements.

The Department will work in collaboration with each State to determine timing and applicability of program review process elements including monthly calls, onsite visits, and Annual Performance Report in accordance with activities approved for extension beyond the four-year grant period.

In the event that the Department determines that a grantee with or without no-cost extension approval(s) is carrying out unallowable activities or is not fulfilling the commitments in its plan, the Department may take appropriate enforcement action(s), which could include any of the enforcement measures that are set forth in 34 CFR 80.43 in the EDGAR including putting the grantee on reimbursement payment status, withholding funds, disallowing costs, or exercising any available legal remedy.

H-13. How does a no-cost extension approval affect a State's Scope of Work and budget?

As discussed in H-3, grantees will be expected to submit budget documentation as part of a no-cost extension amendment request. Such requests should reflect the amount proposed to shift into a Year 5. For example, if a State's initial four-year grant period ended September 23, 2014, a no-cost extension would propose shifting funding to a Year 5 that begins September 24, 2014.

Subsequent to formal approval, grantees are advised to update both their budget documents and Scope of Work to reflect the extended project period. These updated documents will allow each grantee, in collaboration with the Department, to closely manage to the expectations set forth in the grantee's approved Race to the Top plan, based on a mutual understanding of a grantee's commitments. The most recent version of each State's Scopes of Work and overall budget is posted on the Department's website at <http://www2.ed.gov/programs/racetothetop/state-scope-of-work/index.html>.

H-14. How does a no-cost extension approval affect a State's indirect costs?

A State may continue to use Race to the Top funds for indirect costs in an extension year (Year 5), consistent with its approved Race to the Top budget. If a State's Race to the Top budget includes indirect costs, it must apply costs no greater than a current approved indirect cost rate found in its Indirect Cost Rate Agreement. If the State chooses to include indirect costs in an approved Year 5 budget, the indirect cost rate must continue to be applied in accordance with the terms and procedures in the Indirect Cost Rate Agreement.

H-15. Must a State demonstrate how the investments included in the no-cost extension request are adding value to other States and/or the public domain?

Yes. Grant Condition N for Phase 1 and 2 grantees and Grant Condition M for Phase 3 grantees requires a grantee and its subgrantees to make work developed under the grant freely available, including by posting the work to any website or other publication process, and to any technical standards specified by the Department (and the grantee for subgrantees), in a timely manner, unless otherwise protected by law or agreement as proprietary information. Consistent with the grant condition, the Department will review the grantee's explanation or demonstration of how investments included in the no-cost extension request are adding value to other States and/or the public domain.